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BRIAN C. MCNEIL
Executive Secretary

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ARIZONA CORPORATION COMMISSION

2003 FEB -3 P 3:42

AZ CORP COMMISSION
DOCUMENT CONTROL

February 3, 2003

Mr. Paul J. Kovar
Kovar Construction
1124 East Vogel Avenue
Phoenix, Arizona 85020-2621

Re: *Letter Concerning American National Mortgage, et al Docket No. S-0~~2~~3491-A-02-0000*

Dear Mr. Vogel:

I am in receipt of your letter dated January 31, 2003 relating to the above-referenced docket.

As this an ongoing matter from which I have recused myself, I am unable to comment on any substantive issue.

Consistent with AAC R14-3-113, I am submitting your letter and its attachment to docket control so that all parties may have an opportunity to read and consider your concerns.

Sincerely,

Jim Irvin
Commissioner

Arizona Corporation Commission
DOCKETED

FEB - 3 2003

DOCKETED BY	CA

KOVAR CONSTRUCTION INC

Licensed & Bonded **Lic.# KB-01-137646** Residential & Commercial

RECEIVED
FEB 03 2003
By

January 31, 2003

Commissioner Jim Irvin
Arizona Corporation Commission
Securities Division
1300 West Washington
Phoenix, Arizona 85007
CERTIFIED MAIL: P 527 008 371

Dear Commissioner Irvin:

I am the Co-Contractor who completed the Castle Boutique located at Deer Valley Road and Interstate 17. I am also an investor in other Castle Properties in which American National Mortgage was the Mortgage Broker. Taylor Coleman, Owner of Castle Mega Stores Corporation, ceased paying his interest on our investments in August of 2002. After repeated telephone calls inquiring about the status/cause for Mr Coleman's deficiency, he circulated a letter in September of 2002 to all of the Investor's for their help with a moratorium on his payments until October of 2002, at which time he would begin paying ½% per month (6% per year) raising the rate each 3 or 4 months thereafter to offset the deficiency of the original notes. Since receiving the letter from Mr. Coleman in September of 2002, we, the Investors have yet to hear from Mr. Coleman.

Through our representatives, we foreclosed his beneficial interest in the trusts that held his properties therefore eliminating his ownership interests. Mr. Coleman had threatened our representatives with filing for bankruptcy, so we held off for 3 months to get by the automatic bankruptcy recall. During this time, American National Mortgage met with Taylor Coleman several times in an effort to bring forth a mutually satisfactory conclusion. Mr. Coleman stonewalled our representatives and to this date, has not been cooperative in formulating a repayment plan.

On January 16, 2003, our attorney wrote Mr. Coleman a demand letter requesting the payment of weekly rent beginning January 29, 2003 which also stated that if those terms were not met, then we would file a forcible detainer and evict him from the properties, and in turn we would rent the properties to a similar company, who would pay us a fair rent and protect our financial interests. Mr. Coleman's lawyer responded back stating their refusal to pay rent.

On January 27, 2003 you held a hearing on American National Mortgage, at which time Taylor Coleman requested a "stand still for 30 days" at which time he would present a plan for re-payment to the investors. You granted Mr. Coleman this time.

We believe that your decision was based on inadequate information as you may sense from my previous statements. Mr. Coleman has had six months to prepare a plan of resolve. He has done nothing except elevate the concerns of the investors in his ability to manage his debts.

As investors through American National Mortgage, we already have plans in place to secure our investments. Through your decision to grant Mr. Coleman "more time" you have inadvertently caused an additional delay in our plan to protect our investments and also you have allowed Mr. Coleman to continue avoiding his obligation to the investors. We appreciate the Corporation Commission's help, but your thirty day extension may hurt us more than help.

As a tax paying citizen, business owner and a double victim of Taylor Coleman (he still owes us $18,000.00 for work performed), I would appreciate an answer before this "Stand Still" period harms our chance of getting whole.

Respectfully submitted,

Paul J. Kovar

Enclosures: 1 – Copy of Letter from Castle Mega Store Corporation

CC: Investors of Castle Mega Store Corporation
Chairman Marc Spitzer
Commissioner Jim Irvin
Commissioner William Mundell
Commissioner Jeff Hatch-Miller
Commissioner Mike Gleason

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CASTLE MEGASTORE Corporation
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www.castlemegastore.com

October 15, 2002

Paul Kovar
16012 N. 50th Street
Scottsdale, AZ 85254

As promised, this letter is a follow-up to our letter of September 24, 2002. This letter will outline in more detail the history of the issues we face, update you of our progress on these issues, and outline a formal plan for the repayment of the interest that is due and owing.

As stated in our previous letter, you have been very instrumental in aiding Castle Megastore Corporation (the "Company") to "grow our business". Again, we want to thank you for that and for those of you receiving an interest rate of 36%, our interest payments to you have given you the opportunity to more than double your investment.

Our problem is that a combination of fate and aggressive judgment has caught us in a cash squeeze and we wanted to outline these events to you and, hopefully receive your help during this period. It has always been difficult to find locations that allow us to operate our somewhat unique business due to zoning restrictions. Therefore, when a property was available, we would acquire it for future development.

Our problems started a few years back when we purchased our location in Federal Way, Washington. Shortly after our purchase, the Sound Transit Authority (local government) began to exercise their right of eminent domain, and advised us of such. In short, they announced they would acquire our building. As we were intending to remodel it and open a retail facility, we had to put that on hold. Since we were under the advisement of the pending eminent domain, we couldn't sell our property, because it was valueless to any retailer. We could only wait for the powers-that-be to act. So, without the remodeling which would allow us to open and receive income, that facility has been costing us $40,000 per month.

We acquired our site on Deer Valley road over six years ago. Prior to development, it was costing us about $8,000 a month. We started to develop it a couple of years ago and ran into some problems with the contractor. The project lay dormant for a year or so and was costing us about $55,000 a month in its fallow state – with no income. These, of course, are not your problems, but just an indicator of our problems.

Next we saw a property in Anchorage, Alaska. We felt it was too good to pass up, and though we were not sure of the financing for development, we purchased the property.

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That property has been costing the Company $31,000 a month to hold and remains undeveloped.

For years, our founding store, which operates on East Washington in Phoenix, Arizona, has been a very good producing store – but it is only 5,800 square feet, and our new stores require 16,000 feet. Therefore, when a location presented itself on 44th Street and Van Buren in Phoenix, we felt it was a great opportunity to expand to 16,000 square feet – and we just couldn't pass it up. We purchased it in July 2001 with the intention of having it open in a couple of months. We now have over $3,000,000 in that store and it is costing us about $60,000 a month and again, with no income. Again, this is our problem.

Last, but not least, in August, 2001, we acquired for $6,500,000 a 155,000 square foot warehouse in Phoenix, Arizona. We had outgrown our warehouse in Tempe, Arizona, and, although 155,000 was larger than our current needs, our growth forecast indicates this will be a great investment over the next few years – but it is still costing us over $65,000 a month.

Now let me discuss the brighter side of these issues.

The eminent domain related to the Federal Way, Washington facility is about to conclude. The Sound Transit Authority has made us an offer – naturally it was lower than our appraisal. The Sound Transit Authority is in process of issuing the paperwork regarding this purchase which they have indicated will fund by October 31, 2002. This non-performing asset will be sold, several of you will be paid off, our negative out-of-pocket will cease, and our savings will be $42,000 per month.

Our Deer Valley store is now completed and was opened last Friday, October 11, 2002. Our estimates on this store indicate revenues on a monthly basis will approximate $250,000, and, more importantly, absorb our current out-of-pocket costs of $83,000, plus create a substantial profit.

Our Anchorage, Alaska store should be completed and opened by November 15, 2002. Our estimates on this store indicate revenues on a monthly basis will approximate $50,000, and, more importantly, absorb our current out-of-pocket costs of $31,000, plus create a substantial profit.

Our store on 44th and Van Buren, is slated to open by October 31, 2002. We received the final Certificate of Occupancy for this facility from the City of Phoenix last week. This is

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a great location and we anticipate it doing around $300,000 a month, and, will absorb our current out of pocket expenses, plus create a substantial profit.

And, last but not least, we are negotiating with a real estate investment trust for the sale/leaseback of our real estate. This will pay off all of your loans and reduce our costs of real estate to 15%, a significant savings to us – and a happy resolution for you. As we will be transferring some $45,000,000 in real estate to them, this will naturally take a few months to make sure of the tax ramifications and the smooth acquisition.

Now, we are asking for you to do the following:

For three months (October – December, 2002), we will pay you .5% per month in cash and accrue for the future payment of 2.5%. This would still pay you in cash 6% annualized – much more than the bank, and would mitigate your income taxes for this year -- without a long-term loss in earnings and growth.

For the following six months (January - June, 2003), we would increase the monthly payment to 1% per month and accrue for future payment 2.0%.

Beginning in July, 2003 we would increase the monthly payment to 3% per month. For the unpaid interest accrued but unpaid for the months from October, 2002 – June, 2003, we would pay you the amount owing over the next 18 months (July, 2003 – December, 2004). This will allow you to figure out some tax shelter to absorb the larger earnings of 2003 and 2004.

Of course, if our continued negotiations with the real estate investment trust are successful, as they seem to be at this time, all of your loans and interest owing could be paid off within the next 90 days. We continue to work diligently to complete this transaction for everyone's best interest.

We thank you for you help in the past. We thank you for your help now. And, when we have this problem behind us, we will hope to work with you in the future. If you have any questions, please do not hesitate to contact us.

Sincerely,

Taylor R. Coleman

Taylor R. Coleman
President/CEO